

**To the Mayor and Members of the City Council****March 5, 2019**

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**SUBJECT: FINAL RESULTS OF 2019 DRAINAGE UTILITY SYSTEM REVENUE
REFUNDING BONDS**

This informal report is intended to provide the Mayor and City Council with a summary of the results from our 2019 Drainage Utility System Revenue Refunding Bonds, which was completed on Thursday, February 7, 2019. The sales details of the bonds are presented below.

Background

At the January 22 Work Session, the City Council was presented with an Informal Report outlining the potential savings of a refunding of some existing stormwater (drainage utility system) debt. The 2009 Series Drainage Utility System Revenue Bonds were structured with an Optional Call Provision, allowing the City to refund/refinance the existing bonds by purchasing the outstanding bonds at a pre-determined price, using dollars obtained from the issue and sale of new bonds. The Optional Call Date for the Series 2009 bonds was February 15, 2019.

Fitch and S&P Global Ratings maintain credit ratings on the City's outstanding drainage utility debt. On January 18, 2019, the City finance team held rating agency calls to review details of the transaction and provide a credit update. On January 28, Fitch and S&P both assigned and affirmed the AA+ ratings on the City's parity senior-lien drainage system revenue debt. Key credit factors cited in rating reports included the City's extremely strong enterprise risk profile and very strong financial risk profile.

On January 29, 2019, the Mayor and Council approved the bond ordinance authorizing the sale and issuance of Drainage Utility System Revenue Refunding Bonds, Series 2019. The ordinance included parameters which required specific savings to be realized in order for the sales of refunding debt to be consummated.

The City offered the debt utilizing a competitive sale process with the assistance of our co-financial advisors, Hilltop Securities Inc. and Estrada Hinojosa & Co. Results of the bond pricings are highlighted on the following pages.

Overview of Pricing

The City's Drainage Utility System issue (AA+/AA+) priced with an average life of 9.465 years and a True Interest Cost (TIC) of 2.78%. To summarize the transaction, the City sold a total of \$31,015,000 to refinance the City's existing Series 2009 Drainage Utility System Revenue Bonds for cash flow savings. The Bonds were sold with a premium such that the total proceeds generated was \$33,040,474.90.



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Bids were received from nine firms. The chart below depicts the firm and the associated true interest cost:

<u>Bidder</u>	<u>TIC</u>
Morgan Stanley & Co, LLC	2.7842%
J.P. Morgan Securities LLC	2.7916%
Citigroup Global Markets Inc.	2.8031%
BOK Financial Securities, Inc.	2.8299%
Wells Fargo Bank, National Association	2.8400%
Piper Jaffray	2.8421%
FTN Financial Capital Markets	2.8563%
Robert W. Baird & Co., Inc.	2.8674%
Bank of America Merrill Lynch	2.8717%

Morgan Stanley & Co, LLC was the winning bid.

A summary of the final results compared to the original estimates is provided below:

Summary of Financing Results	January 29th Work Session	Final Results	Parameters
Total Issue Size	\$31,225,000	\$31,015,000	Not to Exceed \$33,000,000
Total Debt Service Savings	\$3,191,274	\$4,534,371	
True Interest Cost	3.19%	2.78%	
Net Present Value (PV) Savings	\$2,227,258	\$3,389,502	
PV Savings as % of Refunded Principal	6.58%	10.02%	More Than 3.50%

If you have any questions, please call Kevin Gunn, Interim Chief Financial Officer, at 817-392-8500.

David Cooke
City Manager